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International Economic & Energy Weekly

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International Economic & Energy Weekly

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Synopsis

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15 **Bolivia: Dimensions of Economic Reconstruction** 25X1

The resounding rejection of the ruling party during recent elections indicates that voters are fed up with hyperinflation, economic deprivation, and work stoppages. Much will depend on the ability of the next administration to enact a market-oriented economic policy, endure criticism and opposition, and encourage private enterprise. 25X1

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Bolivia: Dimensions of Economic Reconstruction

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The resounding rejection of the ruling party during recent elections indicates that voters are fed up with hyperinflation, economic deprivation, and work stoppages. With labor discredited and the radical left divided, the current front-runners—the final selection of the president by the Congress is scheduled for today—are promising to attempt economic reconstruction. The implementation and success of such efforts, however, will depend on the ability of the next administration to enact a market-oriented economic policy, endure criticism and opposition, and encourage private enterprise.

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Bolivia: Economic Indicators *Percent*

	1982	1983	1984
Real GDP growth	−6.6	−8.6	−3.7
Inflation	297	328	2,177
Change in money supply	230	210	1,890
Ratio of public-sector deficit to GDP	7	18	23
Ratio of external public debt to GDP	46	55	80
Ratio of debt service to exports	42	45	55

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Anatomy of a Crisis

Economic policy under President Siles was geared to gaining popular support for the government by granting massive wage concessions, and increasing government spending and subsidization by printing money. The results have been disastrous:

- Inflation—running at 8,900 percent for the 12 months that ended in June—is the highest in the world and caused industrial production to decline 22.4 percent in 1984.
- Thirty percent of the labor force is unemployed or underemployed, and real wages have fallen 20 percent, according to the US Embassy. Consequently, strikes for increased wages continually disrupt the economy.
- Decreasing per capita income has resulted in sharp cutbacks in consumption of basic food items. A UNICEF study states that 60 percent of Bolivia's children suffer malnutrition.

The economy is also reeling under major structural problems. Controls on bank interest rates in the face of galloping inflation have destroyed the incentive to save. In May, private commercial bank deposits totaled only $11 million, according to the US Embassy. Inept administration and economic controls have driven the mining sector to the brink of bankruptcy, with tin production falling 25 percent over the past year. Massive cash transfers to government-owned enterprises, consumer subsidies, and tax evasion caused a fiscal deficit equal to at least 23 percent of GDP in 1984, according to US Embassy reporting.

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Government price controls have led to massive smuggling, as well as thriving black markets. Smuggling by Bolivian producers accounts for the fact that in 1984 Peru's official tin production far exceeded its reported production capacity. On the black market, consumer staples are bought and sold at premium prices, and a dollar fetches 12 times the official exchange rate. The US Embassy reports that as much as 50 percent of all economic activity takes place outside of the formal economy.

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La Paz has refused to work with bankers and the IMF and is now in default on its commercial bank debt. The government claims that its foreign currency reserves are exhausted. The US Embassy

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Bolivia: Current Account Trends *Million US $*

	1982	1983	1984 [a]
Current account balance	**−93.8**	**−183.6**	**−245.0**
Trade balance	399.0	275.0	224.0
Exports, f.o.b.	827.7	756.8	695.0
Imports, f.o.b.	428.7	481.8	471.0
Net services and transfers	−492.8	−458.6	−469.0

[a] Preliminary.

[redacted]

reports that the current account deficit rose to $245 million in 1984, despite the suspension of interest payments to foreign banks. [redacted]

Campaign Promises

The two front-runners in the current bid for the presidency both favor a return to more market-oriented policies aimed at reinvigorating the economy. Former President Hugo Banzer, who won the count of valid votes by a narrow 2.7-percent margin but is unlikely to emerge as president from the congressional balloting, has publicly promised drastic measures beginning with the deregulation of exchange rates, prices, and interest rates. He says he would reduce the fiscal deficit by cutting government employment and raising taxes, and by selling off or shutting down inefficient government mining companies. [redacted]

Victor Paz Estenssoro, who probably will be selected president with the support of a leftist coalition in Congress, has yet to announce a comprehensive economic program. According to the US Embassy, Paz favors a more gradualist approach, promising to move exchange rates and consumer prices toward market levels over time. He has also promised to reduce fiscal deficits, improve the management of state enterprises, and remove current export obstacles. [redacted]

According to press and Embassy reports, both candidates would promote agricultural development. Banzer believes the government should encourage privately owned farms in the underdeveloped lowland, providing a greater incentive to increase production. Paz, too, wants to expand private agriculture, as well as cooperatives. The US Embassy reports that Paz wants to attract international assistance and provide subsidies to farmers to convert from coca cultivation to staple crops. [redacted] 25X1

According to the US Embassy, both Banzer and Paz plan to promote foreign investment—although neither has announced specific measures—as well as renew talks with the IMF. 25X1 Foreign investment would provide a much-needed source of capital and management skills, especially in the oil and gas sector. An IMF agreement will be required to renegotiate commercial debts, resume regular debt payments to private banks, and reestablish trade 25X1 credit lines to revive imports already pared to the bone. [redacted] 25X1

Beyond the Candidates' Proposals

Based on the experiences of governments that have been successful in breaking hyperinflation, we believe additional fiscal discipline would be necessary. A currency reform accompanied by strict control over the printing press is a prerequisite. To control the money supply, we believe La Paz will need to separate the Central Bank and Treasury functions. A temporary wage and price freeze could be imposed to ensure public support and dampen inflationary expectations. Most governments that have been successful in breaking the inflationary spiral 25X1 have also implemented wage restraints. [redacted] 25X1

Beyond this, La Paz must, in our view, rein in its state-owned enterprises. Eliminating subsidies to state companies would help decrease the deficit and free up credit for the more productive private sector. Capital formation and domestic investment would be encouraged by restoring positive real interest rates on regulated bank accounts. [redacted] 25X1

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Hyperinflation During the Weimar Republic

The German Weimar Republic endured hyperinflation for 18 months. By November 1923, prices were increasing at a rate of 30,000 percent a month, causing price signals to go haywire. Prudent activities—such as savings and investment—became folly, but speculation created wealth. Moreover, real wages fell, despite indexation that merely escalated the hyperinflationary spiral.

At the end of 1923, a determined and tough-minded Reichsbank president, Hjalmar Schacht, implemented a series of measures that halted inflation and stabilized the economy:

- *A new currency was issued and backed by mortgage bonds on Germany's land and physical assets.*
- *In order to regain control of the money supply, the Central Bank refused to accept private currency issued by businesses and municipalities in a total amount as great as that of the official currency.*
- *The amount of credit outstanding was frozen, and the subsequent shortage of money caused hoarders to convert foreign currency into marks, bolstering the exchange rate. The credit freeze also led to an inflow of money that had been held abroad.*
- *Government employment was cut.*
- *New taxes were imposed, and real income from taxes already in place increased dramatically as restoration of order made collection easier, and currency stabilization ended the incentive to lag tax payments.*
- *Loans of special marks backed by gold were made on a "constant value" basis, payable in gold marks sufficient to represent the original value, not the depreciated value, of the loan. Thus, debtors no longer benefited from inflation.*

We believe La Paz needs to diversify exports to restore debt-servicing capacity. Tin—the traditional export mainstay—will continue to lack competitiveness on the world market because of high production costs 25X1
Natural gas sales to Argentina, now the largest foreign exchange earner, are vulnerable because Buenos Aires has its own gas deposits. To this end, Bolivian gold and lithium deposits could be exploited, and natural gas sales negotiated with other South American countries, particularly Brazil. According to the World Bank, uncultivated fertile lowlands could produce large legal export crops. 25X1 25X1

The Uncertainties Ahead

Given the resounding defeat of the ruling party in the current election, we judge that most voters—weary of hyperinflation—would provide initial support for a thoroughgoing economic reform and stabilization program. It is also clear from past attempts at economic adjustment in Bolivia that popular opposition would develop in response to government layoffs, tax increases, and the retraction of subsidies, and could easily cause the government to backslide in key areas. 25X1

Military and labor reaction will also be crucial.

we judge that the armed forces would probably support stabilization measures. In contrast, the Confederation of Bolivian Workers would push hard to obstruct the government. Although labor will continue to be a major obstacle, the internal divisions within the country's largest worker's confederation and the public disenchantment with excessive strikes should work to the advantage of any new government. If the government tries to ban strikes, however, as occurred during Banzer's first administration, such action could lead to violence that would undermine stabilization. 25X1 25X1

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Beyond the political challenges, economic reconstruction will be difficult to put into practice. We judge there is insufficient technical talent to implement thoroughgoing reforms. Moreover, the highland Indians in the past have resisted relocation to the lowlands—a key feature of agrarian reform.

The Danger

Without reconstruction, however, Bolivia's formal economy will likely be paralyzed by hyperinflation that could move into seven digits. Virtually all economic activity would probably occur through barter and on the black market. Savings would become nonexistent, while external insolvency would continue.

The drug sector, the only portion of the economy where government does not intervene, would continue to thrive as the sole viable economic alternative. 25X1
although much of the hard currency earned through the drug trade stays outside the country, 25X1
the proportion that flows back supports extensive employment in drug cultivation and trafficking networks. 25X1
we estimate that at least $200 million in 25X1
drug money flowed back to Bolivia last year to bolster the economy. 25X1

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Briefs

Energy

Inadequate OPEC Price Cuts

Token price reductions agreed to at last week's OPEC ministerial meeting are unlikely to alter the market's view that the organization is impotent. The oil ministers agreed by majority vote to cut medium-grade oil prices by 20 cents per barrel to $27.20 and to lower heavy crude prices by 50 cents to $26. The organization plans to meet again in October to discuss production quotas. Industry sources of the US Embassy in Riyadh claim the Saudis do not plan to carry out their threat to flood the market with oil unless OPEC fails in October to agree to a new output allocation scheme. In that case, the Saudis may be willing to risk a price war to regain their share of the market. OPEC needed to cut heavy oil prices about $1.50 per barrel to bring them in line with spot market rates, and Venezuela would have to lower prices even further to meet Mexican competition. [redacted] 25X1

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Iraq To Increase Turkish Pipeline Exports

Iraq plans to raise its oil exports through the Iraqi-Turkish pipeline [redacted] Meanwhile, Iraq is holding off awarding a contract to expand the pipeline because the Italians who made the low bid have been having so many problems on the Iraqi-Saudi pipeline project. The US Embassy in Ankara reports Baghdad has expressed considerable interest in having a US-led group do the work if US Government financing can be arranged. Baghdad is committed to raising exports by 500,000 b/d this fall, but problems with construction of the line through Saudi Arabia may force Baghdad to risk using chemical flow enhancers. Completing the Turkish pipeline construction by January 1987 will be difficult if the contract awards are not made soon. [redacted] 25X1

Pushing the Iraqi-Saudi Pipeline Into Service

Oil could flow through the new Iraqi-Saudi pipeline in September before the line is fully operational, according to the US Embassy in Riyadh. Saudi authorities have tentatively approved the contractor's unusual plan to operate the line manually for several months until electronic controls are installed. Project managers believe construction will not be complete before early November, and early export rates will be limited to about 200,000 b/d, according to the US Embassy in London. Early use of the line will minimize the effect of delays in completion and support Iraq's request for a higher production quota at a special OPEC meeting proposed for October. Although the line could be manually operated at 500,000 b/d, Riyadh may claim safety concerns to limit the flow of Iraqi oil into a tight market. Unless other producers cut back, even a small increase in Iraqi production would add to price pressures. [redacted] 25X1

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Shakeup at National Iranian Oil Company

The National Iranian Oil Company (NIOC) has replaced its marketing manager because in May he used barter deals to move bulging stocks at the Sirri transshipment terminal, according to a source of the US Embassy in Kuwait. The new marketing chief disapproves of barter. In May the president of NIOC stepped down amid similar criticism of sales policies. These personnel moves reflect serious disputes within the regime over oil policy. The Oil Ministry and NIOC prefer cash sales, but lack of hard currency has pushed other ministries to meet import needs through barter deals. NIOC is blamed by the Consultative Assembly (Majles) for Iran's foreign exchange shortage but is also criticized for selling oil too cheaply when it attempts to increase sales. 25X1

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International Finance

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Eastern Europe's Western Borrowing Resurgence

Eastern Europe has undertaken in recent months a resurgence in borrowing from Western commercial banks reminiscent of the loan boom of the late 1970s. Syndicated credits to Bulgaria, Czechoslovakia, East Germany, and Hungary have totaled nearly $2.5 billion so far in 1985—compared with just over $3 billion in 1982-84—and have carried favorable terms. Competition among bankers seems to be due more to high bank liquidity and a lack of better lending opportunities elsewhere, however, than to enthusiasm over East European economic performance and prospects. Moreover, troubled debtors, Poland and Yugoslavia, are still shut out, and a current loan effort for Romania faces uncertain prospects. East European borrowers apparently are using the new bank credits largely to refinance existing commercial debt on better terms, and not to cover payments deficits. Official and officially-guaranteed debt is also likely to continue rising. Most Western governments seem willing to extend more trade credits, and the East Europeans appear ready to begin importing more capital goods typically financed with these loans. Debt to the World Bank is likely to increase as a result of major project loans for Hungary and Yugoslavia. Under present arrangements, the combined obligations of Yugoslavia, Romania, and Hungary to the IMF should begin to fall this year, but, if Poland joins the Fund in 1986, East European debt to the Fund could begin growing rapidly again.

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Eastern Europe: Debt by Source, 1981-84

Million US $

	1981	1982	1983	1984 [a]
Gross debt	**85,841**	**80,568**	**81,600**	**80,795**
Commercial	59,552	52,778	48,110	42,700
Official	21,305	21,110	26,122	30,106
IMF/IBRD	4,984	6,680	7,368	7,989

[a] Preliminary.

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[redacted] 25X1

Poland Still Seeking Credits

Poland is seeking $600-800 million in new credits from Western governments in the wake of last month's rescheduling of about $11 billion in official debt which became due during the period 1982-84. Its chances of receiving significant funding soon appear slim. Earlier this year, Warsaw requested $1.7 billion in credits from Western governments, but received no firm commitments. NATO sanctions on new credits to Poland are still in effect, but some countries, including the United Kingdom and West Germany, have indicated they will base their lending on economic rather than political grounds. Even the economic grounds are shaky—a recent survey by US embassies found that most countries are waiting for complete payments on the 1981 and 1982-84 rescheduling agreements and the signature of a 1985 accord before making a decision on new loans. The Poles probably will be at least $500 million short of meeting the minimum payment required by governments. Even if some payments are forthcoming, the West Germans plan to grant only $30 million, while the British and Swedes may provide only small short-term credits. The Danes probably will not extend any new credits, while the Portuguese, Greeks, and Canadians have yet to decide. [redacted] 25X1

Global and Regional Developments

Advanced Technology and Regulatory Concerns of Airbus A320

Use of advanced technologies on the new 150-seat A320 presents difficulties for airworthiness certification in Western Europe and the United States. The "fly-by-wire" control systems, advanced cockpit technologies, and "relaxed static stability" aerodynamics do not technically comply with published flight standards. The new technologies, nevertheless, have the ability to provide levels of flight safety and passenger comfort far in excess of existing commercial aircraft. We believe the Airbus consortium has taken significant steps to ensure the A320's certification. [redacted] 25X1 Overall, we believe that the A320 is likely to inspire US aircraft manufacturers to apply similar advanced technologies in future designs. [redacted] 25X1

Argentina Boosts Sales in Brazilian Wheat Market

Argentina has scored a major coup in the global grain market by agreeing to sell Brazil 1.4 million metric tons of wheat valued at about $150 million for delivery from October 1985 through July 1986. The accord more than doubles the flow of Argentine wheat to Brazil's 4 to 5 million ton-per-year import market—the largest in Latin America—largely at the expense of higher priced US wheat. It also will help alleviate Argentine concern over Brazil's bilateral trade surplus that has ranged from $50 to $350 million over the past five years. The pact reportedly stems, in part, from high-level pressure in Brasilia to improve Brazilian-Argentine relations. This pressure apparently outweighed the technical views of the Brazilian Wheat Board, the sole purchaser of wheat, which has generally favored US wheat based on product quality, financing, and shipping arrangements. 25X1

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Propfan Technology for Commercial Aircraft

A recent meeting of Western government and industry aerospace propulsion experts featured extensive discussions on propfan engines for commercial aircraft. Although the propfan's efficiency promises savings of up to 8 percent of direct operating cost, difficult problems remain. Present NASA programs and industry programs in France, the United Kingdom, as well as the United States, are seeking solutions to the excessive vibration and cabin and airport noise associated with the large propeller-driven aircraft. Given these problems, most experts do not see a program launch until the late 1980s with expected airline operation in the late 1990s. This limits potential propfan sales in the present round of competition to replace existing short haul fleets. 25X1

National Developments

Developed Countries

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Japanese Semiconductor Investment Declines

Japanese semiconductor manufacturers are continuing to reduce investment levels for plant and equipment this fiscal year. Although the amounts noted in Japanese press reports vary, the trend has been sharply downward since February when Japanese semiconductor makers were reporting plans to increase their investment level 10 to 20 percent above the record fiscal 1984 levels (up to 1 trillion yen, or $4 billion by one estimate). By May planned investment levels were revised downward to 6 to 7 percent less than in FY 84. Since then, five of the nine major manufacturers—Hitachi, Toshiba, Fujitsu, Matsushita, and Mitsubishi—have announced planned cuts of 10 to 30 percent.

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Japan Reducing Semiconductor Exports to the United States

Last week, Hitachi and Toshiba, Japan's second- and third-largest semiconductor producers, announced plans to reduce exports, and press reports indicate all other major producers will follow. Hitachi—often criticized in the United States for aggressive pricing and marketing—will reduce semiconductor exports to the US market by 30 percent, while other manufacturers will lower shipments by about 20 percent. Japanese market share will remain constant, however, because of lower US semiconductor demand.

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London Steps Up Fight Against Unemployment

The Thatcher government took a series of steps in mid-July to bring down the 13-percent unemployment rate. In a reversal of policy, London said it would begin to use state funds to encourage companies to shift orders to areas hit hardest by unemployment. Employment secretary King told a gathering of business leaders that the "on-your-bike" approach—referring to the government's philosophy that workers should relocate to find jobs—has its limits. London also announced proposals for broad deregulation of small businesses and removing youth from minimum wage controls to stimulate job creation. Thatcher can be expected to take even more active measures on unemployment as national elections—due by mid-1988—draw nearer; polls show the public continues to view unemployment as the most serious problem facing the nation. 25X1

Spanish Austerity To Continue

Spain's new Minister of Economy and Finance, Carlos Solchaga, has pledged to adhere to the austerity program introduced in 1982 by former Minister Boyer. In particular, Solchaga aims to further cut the budget deficit as a percentage of GDP in an effort to reduce inflation, nudge down real interest rates, and avoid crowding out private investment. Anticipating pressure to accelerate government spending before next year's elections, he stated firmly that an expansionary policy would provide only a short-lived stimulus that would reverse the progress made thus far. Solchaga tried to strike a less confrontational stance than his predecessor by offering to discuss economic policy with labor and business leaders. Nevertheless, we believe Solchaga's commitment to tough austerity—including wage moderation, pension cuts, layoffs in declining industries, and labor reforms—makes a reconciliation with the Socialist trade union unlikely. 25X1

Less Developed Countries

Soviet Oil Credit Terms for Nicaragua

A Soviet diplomat recently told the US Embassy in Managua that the USSR is supplying roughly 80 percent of Nicaragua's oil needs over the next few years on commercial terms. He claimed that virtually all economic transactions with the Sandinistas are handled on nonconcessionary terms with only a few outright donations of wheat, medicine, and vehicles. He said Managua repaid $7 million for commercial loans last December but admitted problems with debt service since then. Even though Moscow is trying to show Washington it is distancing itself from the Sandinistas, it probably has not changed the highly concessional economic relationship. Specific details are unavailable, but Moscow appears to be conducting most of its trade, especially oil, on a commercial basis that includes generous trade credits. Nevertheless, it almost certainly will be unable to hold the Sandinistas to a strict repayment schedule because of insufficient funds in Managua and the importance the Soviets ascribe to keeping the Nicaraguan regime afloat. 25X1

[redacted]

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Drought Threatens Flow of Nile

Normal rainfall so far this year in regions of Ethiopia that feed the Nile River may indicate a break in the long drought and reduce the threat of a catastrophic water crisis in Egypt in 1986 or 1987. Even so, several years of above-normal rainfall will be required to fill Lake Nasser, Egypt's main reservoir on the Nile. By the end of this month, the lake will have only about one-fifth of its normal usable volume, and electric power generating capacity at the Aswan High Dam is already down by about 20 percent, according to the US Embassy. The Nile supplies 95 percent of Egypt's water and about 85 percent of Nile water originates in Ethiopia. Egyptian authorities are optimistic that the current drought is now ending. If the drought continues through 1986, all usable storage will be gone; by 1987 power generation and irrigation water release will have to be cut drastically. [redacted] 25X1

Lebanese Economy Hangs On

The Lebanese economy continues to function, albeit at a very low level, according to the US Embassy. Industry is at a virtual standstill due to the poor security situation, credit limitations, imported raw material shortages, and competition from tax-free goods imported through the numerous illegal ports. Commerce has been kept alive by continued government deficit spending via its bloated payroll and through black-market trade with Syria. Although the Lebanese pound has recently stabilized at approximately 16 to the dollar, its fall from nine to the dollar at the start of the year has contributed to price hikes of approximately 70 percent. One factor reportedly helping the economy and the pound is the inflow of money—estimated at up to $50 million a month [redacted] 25X1

Tunisia Sports a Bumper Crop

The government is estimating this year's cereal harvest at 1.95 million metric tons, up a surprising 90 percent over 1984. Press reporting claims that no durum wheat imports will be necessary through early 1986 and that limited exports of barley may be possible for the first time in several years. If the estimates hold true, the bumper crop will provide badly needed relief to Tunisia's current account and budget deficits. Food imports cost an estimated $350 million last year and food subsidies totaled $320 million. Good weather—after several years of drought—is the primary cause of the rebound. Nevertheless, expansion of agricultural education programs and liberalization of government price controls will be necessary to sustain the turnaround, measures that the regime probably will be slow to implement. [redacted] 25X1

Mauritania's Copper Mine

Mauritania has begun the uphill battle to reopen its long-dormant copper mine with the help of wealthy Arab states—Algeria is a key backer—and foreign expertise, according to the US Embassy in Nouakchott. The project, however, has no assured outlets for the ore and is plagued by high extraction costs and low world prices for copper. In addition, the hasty closure in 1978 has left the mine in a poor state of repair—tailings were dumped on the most promising site for new open pit operations. The reopening, scheduled for 1987, would provide 900 badly needed jobs in the drought ravaged interior. Unless world copper demand substantially improves, reopening Mauritania's second-largest industrial project will require substantial subsidies, something the financially strapped government cannot provide. Moreover, use of outside management will require a major departure from the government's preference for heavy state control. [redacted] 25X1

Tanzania Proceeding With Denationalizations

At least one of the 12 sisal plantations President Nyerere promised to denationalize was recently purchased by a British firm. Further sales and subsequent private operation of the sisal estates, whose production dropped 80 percent under parastatal management, should inject much needed foreign private investment into the collapsing economy. This revenue, however, would provide only a fraction of the estimated $200 million a year the government needs for agricultural rehabilitation. The privatization of the sisal estates, the sale of the Moproco oilseed processing concern, and recent rental housing reforms suggest the stage is being set for Nyerere's successor to take even more pragmatic steps to moderate Tanzania's unproductive socialist policies. [redacted] 25X1

[redacted]

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Poor Philippine Economic Outlook

Prime Minister Virata is urging the IMF to set less stringent budget and money supply targets in its loan program for the Philippines, according to press reports. The government now projects that the economy will contract this year—it declined by 3.5 percent in the first quarter—and it is searching for ways to stimulate the economy. Virata contends that adhering to the IMF's guidelines has kept interest rates at prohibitive levels, depressing business activity [redacted] hopes for an economic recovery are 25X1
being dimmed by the expectation that export earnings for the year will decline

by 15 percent—in contrast to the 10-percent growth rate originally projected by the IMF. Virata's lobbying effort underscores Manila's fear that a deeper recession will further diminish the ruling party's prospects in local elections scheduled for 1986, aggravate unrest in the increasingly militant labor movement, and pave the way for further gains by the Communist insurgents in the countryside. The IMF is likely to grant Manila some leeway, but only if Manila devalues the peso and enforces long-sought reforms in the sugar and coconut industry. [redacted] 25X1

Communist

Increased Soviet Aid to Vietnam

Recent press reports from Hanoi claim Soviet economic aid to Vietnam for the 1986-90 five-year plan will be more than double that for the current plan. Moscow currently provides Vietnam approximately $1 billion in economic assistance annually. These reports add detail to the late June announcement of a new economic package for Vietnam concluded during party Secretary Le Duan's visit to Moscow. Although we believe the claimed increase is exaggerated, the Soviets probably will boost economic assistance—much of it may be earmarked for oil exploration and development in the South China Sea. Other reports suggest Soviet interest in building an oil refinery and possibly beginning offshore oil exploration in the Tonkin Gulf. [redacted] 25X1

Soviet Problems in Manufacturing Modernization

Ivestiya reports that robotization, one of the key programs in the current Soviet modernization drive, has not been cost effective and must be revised. A recent study of robot use in 52 Soviet machine and instrument manufacturing plants shows only 9 percent of these robots are used for more complex tasks such as welding, painting, and electroplating, while 72 percent perform simple functions such as loading and carrying. This reflects the fact that although the USSR now produces between 14,000 and 15,000 robots annually, more than double US production, most Soviet industrial robots are quite rudimentary and would probably be classed in the United States as manipulators. In the Soviet plants studied, 91 percent of the newly introduced robots replaced only one worker—or less—per shift. Thus, installation of such a robot saves only one annual salary, or 4,000 rubles, but costs 40,000 to 50,000 rubles each. [redacted] 25X1

Polish-Japanese Auto Venture

Nissan has recently begun negotiations with Warsaw to construct a large automobile facility in Poland. The plant, which would manufacture automobiles for both the West and East European markets, is seen as a threat by Fiat, which traditionally has had a lock on the East European auto market. [redacted] 25X1 Fiat recently signed an agreement with Warsaw to provide a $50 million, five-year credit—one of the few Poland has been able to arrange in the West since its financial crunch in 1981—for modernization of the plant in

southern Poland that produces the Fiat 126. A Warsaw-Nissan pact—which faces many hurdles such as financing and Poland's poor reputation for quality—would put further pressure on the major West European auto producers that already suffer from a serious overcapacity problem and need to shed more than 200,000 jobs over the next five years. 25X1

Serious Chinese Port Delays

Beijing has sent 850 troops to help ease a backlog of more than 500 ships at Dalian, Qingdao, and Shanghai. The military also will provide wharves, warehouses, and vehicles to transport and store cargo. Last month Beijing began confiscating cargoes that were not picked up on schedule. A sharp increase in trade has intensified the usual delays caused by China's antiquated and limited port facilities. China has less than 400 berths, and the 5,300 ships that called at Chinese ports during the first half of 1985 represented a 29-percent increase over the same period last year. Beijing has accelerated plans to build additional port facilities and associated infrastructure. Meanwhile, delays of three months or longer may discourage some foreign firms from trading with China. 25X1

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Sino-Japanese Investment Negotiations Recessed

The latest session of the Bilateral Investment Treaty talks ended with three major issues unresolved—treatment of investment, free transfer of assets, and dispute settlement. Another round of talks may be scheduled for this fall. Nakasone has promised Beijing an accord by the end of this year, and the Japanese seem willing to grant concessions despite Chinese intransigence. If a Sino-Japanese treaty is signed within the next few months, China probably will expect the United States to become more interested in negotiating a similar treaty. 25X1

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Economic & Energy Indicators

Industrial Production

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985					
					1st Qtr	2d Qtr	Mar	Apr	May	Jun
United States	2.6	−7.2	5.9	11.6	2.1	2.2	2.9	2.9	1.0	1.9
Japan	1.0	0.4	3.5	11.1	−2.6	11.7	−15.7	39.0	25.1	−8.4
West Germany	−2.3	−3.2	0.3	2.4	−4.6		15.6	18.2	−15.4	
France	−2.6	−1.5	1.1	2.6	−3.0		19.8	−23.8	19.9	
United Kingdom	−3.9	2.1	3.9	1.2	5.9		28.5	3.4	13.1	
Italy	−1.6	−3.1	−3.2	3.1	7.4		3.7	−41.1	7.8	
Canada	0.5	−10.0	5.7	8.7	−1.1		−2.5	10.5		

Gross National Product [a]

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985	
					1st Qtr	2d Qtr
United States	2.5	−2.1	3.7	6.8	0.3	1.7
Japan	4.1	3.4	3.4	5.7	0.4	
West Germany	−0.2	−1.0	1.3	2.6	−3.1	
France	0.2	2.0	0.7	1.6	−0.2	
United Kingdom	−0.9	1.5	3.1	1.6	2.3	
Italy	0.2	−0.5	−0.4	2.6	2.6	
Canada	3.3	−4.4	3.3	5.0	3.7	

[a] Constant market prices.

Consumer Prices

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985					
					1st Qtr	2d Qtr	Mar	Apr	May	Jun
United States	10.3	6.2	3.2	4.3	3.3	4.2	5.8	4.6	2.7	2.6
Japan	4.9	2.6	1.8	2.3	2.3	1.1	0.2	3.0	−1.0	8.7
West Germany	6.0	5.3	3.3	2.4	3.7	2.6	5.6	1.9	1.4	−0.8
France	13.3	12.0	9.5	7.7	5.7	6.3	6.7	5.9	6.7	6.4
United Kingdom	11.9	8.6	4.6	5.0	7.0	9.8	12.5	12.1	6.0	5.5
Italy	19.3	16.4	14.9	10.6	10.2	10.5	10.9	11.8	9.1	9.1
Canada	12.5	10.8	5.8	4.3	5.4	3.9	2.0	6.3	2.0	3.0

Money Supply, M-1 [a]

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985					
					1st Qtr	2d Qtr	Mar	Apr	May	Jun
United States [b]	7.1	6.6	11.2	6.9	10.9	10.6	5.8	6.0	14.9	21.7
Japan	3.7	7.1	3.0	2.9	11.1		70.0	−48.2	18.3	
West Germany	1.1	3.6	10.3	3.3	1.4	−0.4	13.2	−9.0	−1.2	6.8
France	12.2	13.9	10.0	7.5						
United Kingdom	NA	NA	13.0	14.7	1.2	32.4	25.9	41.8	32.4	61.2
Italy	11.2	11.6	15.2	12.0	21.4		21.3			
Canada	3.8	0.7	10.2	3.3	2.4	3.1	18.8	−11.6	24.3	3.0

[a] Based on amounts in national currency units.
[b] Including M1-A and M1-B.

Unemployment Rate [a]

Percent seasonally adjusted

	1981	1982	1983	1984	1985					
					1st Qtr	2d Qtr	Mar	Apr	May	Jun
United States	7.5	9.6	9.5	7.4	7.2	7.2	7.2	7.2	7.2	7.2
Japan	2.2	2.4	2.7	2.7	2.5		2.6	2.4	2.5	
West Germany	5.6	7.7	9.2	9.1	9.2	9.4	9.4	9.4	9.4	9.5
France	7.6	8.4	8.6	9.6	10.1	10.1	10.1	10.0	10.0	10.1
United Kingdom	10.0	11.6	12.4	12.6	12.9	13.1	12.9	13.0	13.1	13.2
Italy	8.4	9.1	9.9	10.4	10.8	10.2				
Canada	7.5	11.1	11.8	11.3	11.1	10.6	11.2	10.9	10.5	10.5

[a] Unemployment rates for France are estimated.

Foreign Trade [a]

Billion US $, f.o.b.

	1981	1982	1983	1984	1985				
					1st Qtr	2d Qtr	Apr	May	Jun
United States [b]									
Exports	233.5	212.3	200.7	217.6	55.7		17.8	17.4	
Imports	261.0	244.0	258.2	325.6	84.4		28.3	28.7	
Balance	–27.5	–31.6	–57.5	–107.9	–28.7		–10.5	–11.3	
Japan									
Exports	149.6	138.3	145.5	168.2	40.3		14.2	14.3	
Imports	129.5	119.7	114.1	124.1	28.8		10.3	9.8	
Balance	20.1	18.6	31.5	44.1	11.5		3.9	4.5	
West Germany									
Exports	175.4	176.4	169.4	172.0	41.0	42.9	14.5	14.5	13.9
Imports [c]	163.4	155.3	152.9	153.1	36.5	36.9	12.4	12.4	12.1
Balance	11.9	21.1	16.6	18.8	4.5	6.0	2.1	2.1	1.8
France									
Exports	106.3	96.4	95.1	97.5	22.5	24.4	8.2	8.0	8.1
Imports	115.6	110.5	101.0	100.3	23.6	24.7	8.7	8.1	7.9
Balance	–9.3	–14.0	–5.9	–2.8	–1.1	–0.4	–0.4	–0.1	0.2
United Kingdom									
Exports	102.5	97.1	92.1	93.7	22.7	25.4	8.5	8.5	8.3
Imports	94.6	93.0	93.8	99.2	24.2	25.7	8.9	8.2	8.6
Balance	7.9	4.1	–1.8	–5.5	–1.5	–0.4	–0.3	0.3	–0.3
Italy									
Exports	75.4	74.0	72.8	73.6	17.6		5.5		
Imports	91.2	86.7	80.6	84.3	21.4		7.0		
Balance	–15.9	–12.8	–7.8	–10.7	–3.8		–1.6		
Canada									
Exports	70.5	68.5	73.7	86.8	21.9		7.4	7.3	
Imports	64.4	54.1	59.3	70.8	18.0		5.9	6.0	
Balance	6.1	14.4	14.4	16.1	3.9		1.6	1.3	

[a] Seasonally adjusted.
[b] Imports are customs values.
[c] Imports are c.i.f.

Current Account Balance [a]

Billion US $

	1981	1982	1983	1984	1985				
					1st Qtr	2d Qtr	Apr	May	Jun
United States	6.3	–9.2	–41.6	–101.5	–30.0				
Japan	4.8	6.9	20.8	35.0	6.8		4.1	3.6	
West Germany	–6.8	3.3	4.2	6.0	1.7	3.0	1.3	2.0	–0.2
France	–4.7	–12.1	–4.6	–0.2	–0.7				
United Kingdom	15.3	8.5	4.5	0.9	0.1	1.5	0.3	0.9	0.3
Italy	–8.6	–5.7	0.6	–3.2					
Canada	–5.0	2.1	1.4	1.9	0.5				

[a] Seasonally adjusted; converted to US dollars at current market rates of exchange.

Export Prices in US $

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985				
					1st Qtr	Mar	Apr	May	Jun
United States	9.2	1.5	1.0	1.4	0.1	7.4	–6.7	8.8	
Japan	5.5	–6.4	–2.4	0.2	–11.9	–11.2	93.0	–20.0	
West Germany	–14.9	–2.8	–3.2	–7.1	–18.9	4.0	119.6	–2.6	18.5
France	–12.0	–5.5	–4.8	–2.9	–12.8	26.4			
United Kingdom	NA	NA	–5.9	–4.8	–17.1	68.6	165.9	–5.4	23.8
Italy	–7.8	–3.0	–4.4	–5.2	–13.1	–1.8			
Canada	3.9	–2.0	–1.3	–3.7	–0.3	–8.2	7.4	–7.4	

Import Prices in US $

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985				
					1st Qtr	Mar	Apr	May	Jun
United States	5.3	–2.0	–3.7	1.7	–10.6	–7.7	1.4	12.3	
Japan	3.6	–7.4	–5.0	–2.8	–10.9	19.2	–7.2	–2.1	
West Germany	–8.6	–4.7	–5.2	–4.8	–12.9	22.1	76.0	–6.8	–1.9
France	–7.8	–7.2	–7.0	–3.8	–10.4	32.4			
United Kingdom	NA	NA	–5.2	–4.0	–15.7	57.5	127.8	–19.4	11.1
Italy	1.0	–5.3	–6.6	–3.7	–7.9	12.3			
Canada	8.7	–1.1	–3.3	–0.1	–4.8	–7.6	10.6	9.7	

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Exchange Rate Trends

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985				
					1st Qtr	2d Qtr	Apr	May	Jun
Trade-Weighted									
United States	10.5	10.6	5.8	9.1	26.0		–42.1	6.9	
Japan	9.3	–5.7	10.4	6.2	0.9		6.7	1.6	
West Germany	–2.1	7.0	5.8	1.0	–0.2		9.3	–3.9	
France	–5.1	–6.1	–4.7	–2.1	0.9		11.6	1.5	
United Kingdom	2.5	–2.1	–5.0	–2.5	–10.5		86.6	17.2	
Italy	–9.2	–5.1	–1.6	–3.1	1.3		–11.9	0.1	
Canada	0.3	0.2	2.3	–2.3	– 2.1		– 5.3	–8.2	
Dollar Cost of Foreign Currency									
Japan	2.7	–12.8	4.5	0	–19.6	9.9	25.2	0.5	12.5
West Germany	–24.6	–7.2	–5.2	–11.5	–28.0	19.0	53.5	–4.3	14.6
France	–28.7	–20.8	–15.9	–14.7	–26.7	19.6	54.3	–5.5	15.7
United Kingdom	–13.2	–13.4	–13.3	–11.9	–28.6	59.9	207.5	10.5	35.5
Italy	–32.8	–18.8	–12.3	–15.6	–30.3	9.5	45.4	–2.9	14.7
Canada	–2.5	–2.9	0.1	–5.1	–10.5	–5.0	14.3	–9.3	6.7

Money Market Rates

Percent

	1981	1982	1983	1984	1985				
					1st Qtr	2d Qtr	Mar	Apr	May
United States 90-day certificates of deposit, secondary market	16.24	12.49	9.23	10.56	8.76	8.61	9.13	8.61	
Japan loans and discounts (2 months)	7.79	7.23	NA	6.66	6.55		6.54	6.55	6.55
West Germany interbank loans (3 months)	12.19	8.82	5.78	5.96	6.12	5.98	6.35	5.98	
France interbank money market (3 months)	15.47	14.68	12.51	11.74	10.64	10.58	10.76	10.58	
United Kingdom sterling interbank loans (3 months)	13.85	12.24	10.12	9.91	12.98	12.67	13.63	12.67	
Italy Milan interbank loans (3 months)	20.13	20.15	18.16	15.91	15.78	15.37	15.96	15.37	
Canada finance paper (3 months)	18.46	14.48	9.53	11.30			11.35		
Eurodollars 3-month deposits	16.87	13.25	9.69	10.86	9.04	8.74	9.43	8.86	8.61

Agricultural Prices

	1980	1981	1982	1983	1984	1985			
						1st Qtr	2d Qtr	May	Jun
Beef (¢ per pound)									
Australia (Boneless beef, f.o.b., US Ports)	125.2	112.1	108.4	110.7	101.1	100.2	93.3	93	92.4
United States (Wholesale steer beef, midwest markets)	104.3	100.0	101.4	97.6	100.9	96.6	88.9	89.4	88.1
Cocoa (¢ per pound)	113.5	89.8	74.3	92.1	106.2	99.2	96.4	96.1	91.5
Coffee ($ per pound)	1.54	1.28	1.40	1.32	1.44	1.44	1.42	1.43	1.42
Corn (US #3 yellow, c.i.f. Rotterdam $ per metric ton)	150	150	123	148	150	133	133	133	129
Cotton (World Cotton Prices, "B" index, c.i.f. Europe, US ¢/lb.)	81.70	75.96	62.87	72.86	75.03	57.95	55.35	55.13	52.60
Palm Oil (United Kingdom 5% bulk, c.i.f., $ per metric ton)	583	571	445	502	730	605	606	610	556
Rice ($ per metric ton)									
US (No. 2, milled, 4% c.i.f. Rotterdam)	598	632	481	514	514	496	496	496	495
Thai SWR (100% grade B c.i.f. Rotterdam)	522	573	362	339	310	254	243	250	237
Soybeans (US #2 yellow, c.i.f. Rotterdam $ per metric ton)	296	288	244	282	283	240	236	235	229
Soybean Oil (Dutch, f.o.b. ex-mil. $ per metric ton)	598	507	447	527	727	651	658	652	630
Soybean Meal (US, c.i.f. Rotterdam $ per metric ton)	257	252	219	238	197	157	147	145	142
Sugar (World raw cane, f.o.b. Caribbean Ports, spot prices ¢/lb.)	29.03	16.93	8.42	8.49	5.18	3.69	2.96	2.77	2.74
Tea Average Auction (London) (US ¢ per pound)	101.4	91.0	89.9	105.2	156.6	126.9	82.8	75.2	74.6
Wheat (US #2. DNS Rotterdam c.i.f. $ per metric ton)	209	210	187	183	182	177	169	171	166
Food Index [a] (1975=100)	232	203	167	184	194	176	168	165	166

Industrial Materials Prices

	1980	1981	1982	1983	1984	1985			
						1st Qtr	2d Qtr	May	Jun
Aluminum (¢ per pound)									
Major US producer	71.6	77.3	76.0	77.7	81.0	81.0	81.0	81.0	81.0
LME cash	80.8	57.4	44.9	65.1	56.8	49.2	49.3	50.4	47.5
Chrome Ore (South Africa chemical grade, $ per metric ton)	55.0	53.0	50.9	50.0	50.0	49.9	44.7	43.2	41.0
Copper [a] (bar, ¢ per pound)	98.7	79.0	67.1	72.0	62.4	62.1	67.6	70.0	65.7
Gold ($ per troy ounce)	612.1	460.0	375.5	424.4	360.0	300.0	319.8	317.5	315.7
Lead [a] (¢ per pound)	41.1	32.9	24.7	19.3	20.0	17.2	17.3	17.1	17.4
Manganese Ore (48% Mn, $ per long ton)	78.5	82.1	79.9	73.3	69.8	69.6	68.4	68.4	68.4
Nickel ($ per pound)									
Cathode major producer	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2
LME Cash	3.0	2.7	2.2	2.1	2.2	2.2	2.5	2.5	2.5
Platinum ($ per troy ounce)									
Major producer	439.5	475.0	475.0	475.0	475.0	475.0	475.0	475.0	475.0
Metals week, New York dealers' price	677.0	446.0	326.7	422.6	358.2	269.3	275.4	274.6	265.5
Rubber (¢ per pound)									
Synthetic [b]	40.6	47.5	45.7	44.0	44.4	46.6	NA	45.8	NA
Natural [c]	73.8	56.8	45.4	56.2	49.6	42.0	41.5	41.0	41.6
Silver ($ per troy ounce)	20.7	10.5	7.9	11.4	8.1	5.9	6.3	6.3	6.2
Steel Scrap [d] ($ per long ton)	91.2	92.0	63.1	73.2	86.4	83.7	71.9	70.2	66.3
Tin [a] (¢ per pound)	761.3	641.4	581.6	590.9	556.6	501.1	541.3	536.0	556.6
Tungsten Ore (contained metal, $ per metric ton)	18,219	18,097	13,426	10,177	10,243	11,515	10,974	10,832	10,195
US Steel (finished steel, composite, $ per long ton)	486.2	543.5	567.3	590.2	611.61	617.83	617.83	617.83	617.83
Zinc [a] (¢ per pound)	34.4	38.4	33.7	34.7	41.5	40.0	39.5	40.3	36.8
Lumber Index [e] (1975=100)	167	159	140	190	176	167	180	183	190
Industrial Materials Index [f] (1975=100)	184	166	142	152	138	122.7	124.6	124.0	124

[a] Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.
[b] S-type styrene, US export price.
[c] Quoted on New York market.
[d] Average of No. 1 heavy melting steel scrap and No. 2 bundles delivered to consumers at Pittsburgh, Philadelphia, and Chicago.
[e] This index is compiled by using the average of 11 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.
[f] The industrial materials index is compiled by *The Economist* for 18 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

World Crude Oil Production
Excluding Natural Gas Liquids

Thousand b/d

	1980	1981	1982	1983	1984	1985				
						1st Qtr	Feb	Mar	Apr	May
World	**59,463**	**55,827**	**53,014**	**52,588**	**53,827**	**51,855**	**53,684**	**52,974**	**53,037**	
Non-Communist countries	**45,243**	**41,602**	**38,810**	**38,228**	**39,257**	**37,638**	**39,474**	**38,762**	**38,588**	
Developed countries	12,859	12,886	13,276	13,864	14,302	14,587	14,793	14,692	14,721	
United States	8,597	8,572	8,658	8,680	8,735	8,737	8,968	8,871	8,907	9,032
Canada	1,424	1,285	1,270	1,356	1,411	1,467	1,450	1,500	1,450	
United Kingdom	1,619	1,811	2,094	2,299	2,535	2,728	2,600	2,660	2,621	
Norway	528	501	518	614	700	695	755	719	765	
Other	691	717	736	915	921	977	970	975	978	
Non-OPEC LDCs	5,443	6,036	6,633	6,823	7,515	7,682	7,949	7,792	7,957	
Mexico	1,936	2,321	2,746	2,666	2,746	2,634	2,810	2,711	2,820	2,792
Egypt	595	598	665	689	827	890	935	916	915	
Other	2,912	3,117	3,222	3,468	3,942	4,158	4,204	4,165	4,222	
OPEC	26,941	22,680	18,901	17,541	17,440	15,369	16,732	16,278	15,910	14,446
Algeria	1,020	803	701	699	638	625	690	660	600	600
Ecuador	204	211	211	236	253	268	283	276	280	280
Gabon	175	151	154	157	152	150	150	150	150	150
Indonesia	1,576	1,604	1,324	1,385	1,466	1,150	1,152	1,152	1,050	1,050
Iran	1,662	1,381	2,282	2,492	2,187	1,800	2,300	2,097	2,400	2,000
Iraq	2,514	993	972	922	1,203	1,300	1,300	1,300	1,300	1,370
Kuwait [b]	1,389	947	663	881	912	900	850	914	800	800
Libya	1,830	1,137	1,183	1,076	1,073	1,000	1,100	1,034	1,000	1,100
Neutral Zone [c]	544	370	317	390	410	460	502	481	340	280
Nigeria	2,058	1,445	1,298	1,241	1,393	1,400	1,700	1,590	1,600	1,430
Qatar	471	405	328	295	399	280	315	292	260	290
Saudi Arabia [b]	9,631	9,625	6,327	4,867	4,444	3,400	3,700	3,659	3,300	2,450
UAE	1,702	1,500	1,248	1,119	1,097	1,106	1,155	1,123	1,155	1,161
Venezuela	2,165	2,108	1,893	1,781	1,813	1,530	1,535	1,550	1,555	1,555
Communist countries	**14,220**	**14,238**	**14,289**	**14,396**	**14,417**	**14,217**	**14,210**	**14,212**	**14,449**	
USSR	11,700	11,800	11,830	11,864	11,728	11,407	11,400	11,402	11,639	
China	2,113	2,024	2,044	2,120	2,280	2,390	2,390	2,390	2,390	2,480
Other	407	414	415	412	409	420	420	420	420	420

[a] Preliminary.
[b] Excluding Neutral Zone production, which is shown separately.
[c] Production is shared equally between Saudi Arabia and Kuwait.

Big Seven: Inland Oil Consumption *Thousand b/d*

	1980	1981	1982	1983	1984	1985				
						1st Qtr	Mar	Apr	May	Jun
United States [a]	17,006	16,058	15,296	15,184	15,708	15,813	15,321	15,345	15,160	15,276
Japan	4,674	4,444	4,204	4,193	4,349					
West Germany	2,356	2,120	2,024	2,009	2,012	1,993	1,815			
France	1,965	1,744	1,632	1,594	1,531	1,766	1,561	1,390	1,288	
United Kingdom	1,422	1,325	1,345	1,290	1,624	1,872	1,599			
Italy [b]	1,602	1,705	1,618	1,594	1,513	1,715	1,573	1,368		
Canada	1,730	1,617	1,454	1,354	1,348	1,343	1,244	1,269		

[a] Including bunkers, refinery fuel, and losses.
[b] Principal products only prior to 1981.

Big Seven: Crude Oil Imports *Thousand b/d*

	1980	1981	1982	1983	1984	1985				
						1st Qtr	Mar	Apr	May	Jun
United States	5,220	4,406	3,488	3,329	3,402	2,545	2,808	3,401	3,488	3,301
Japan	4,373	3,919	3,657	3,567	3,664	3,777	4,083			
West Germany	1,953	1,591	1,451	1,307	1,335	1,419	1,529	1,242		
France	2,182	1,804	1,596	1,429	1,395	1,578	1,701	1,469		
United Kingdom	893	736	565	456	482	534	671			
Italy	1,860	1,816	1,710	1,532	1,507					
Canada	557	521	334	247	244					

OPEC: Crude Oil Official Sales Price [a]

US $ per barrel

	1979	1980	1981	1982	1983	1984	1985			
							1st Qtr	2d Qtr	May	Jun
OPEC average [b]	18.67	30.87	34.50	33.63	29.31	28.70	28.25	28.11	28.11	28.11
Algeria 42° API 0.10% sulfur	19.65	37.59	39.58	35.79	31.30	30.50	30.15	29.50	29.50	29.50
Ecuador 28° API 0.93% sulfur	22.41	34.42	34.50	32.96	27.59	27.50	26.82	26.50	26.50	26.50
Gabon 29° API 1.26 % sulfur	18.20	31.09	34.83	34.00	29.82	29.00	28.35	28.00	28.00	28.00
Indonesia 35° API 0.09% sulfur	18.35	30.55	35.00	34.92	29.95	29.53	28.88	28.53	28.53	28.53
Iran										
Light 34° API 1.35% sulfur	19.45	34.54	36.60	31.05	28.61	28.00	28.38	28.05	28.05	28.05
Heavy 31° API 1.60% sulfur	18.49	33.60	35.57	29.15	27.44	27.10	27.41	27.35	27.35	27.35
Iraq [c] 35° API 1.95% sulfur	18.56	30.30	36.66	34.86	30.32	29.43	28.78	28.43	28.43	28.43
Kuwait 31° API 2.50% sulfur	18.48	29.84	35.08	32.30	27.68	27.30	27.30	27.30	27.30	27.30
Libya 40° API 0.22% sulfur	21.16	36.07	40.08	35.69	30.91	30.40	30.40	30.40	30.40	30.40
Nigeria 34° API 0.16% sulfur	20.86	35.50	38.48	35.64	30.22	29.12	28.24	28.37	28.37	28.37
Qatar 40° API 1.17% sulfur	19.72	31.76	37.12	34.56	29.95	29.49	28.48	28.10	28.10	28.10
Saudi Arabia										
Berri 39° API 1.16% sulfur	19.33	30.19	34.04	34.68	29.96	29.52	28.48	28.11	28.11	28.11
Light 34° API 1.70% sulfur	17.26	28.67	32.50	34.00	29.46	29.00	28.32	28.00	28.00	28.00
Medium 31° API 2.40% sulfur	16.79	28.12	31.84	32.40	27.86	27.40	27.48	27.40	27.40	27.40
Heavy 27° API 2.85% sulfur	16.41	27.67	31.13	31.00	26.46	26.00	26.50	26.50	26.50	26.50
UAE 39° API 0.75% sulfur	19.81	31.57	36.42	34.74	30.38	29.56	28.52	28.15	28.15	28.15
Venezuela 26° API 1.52% sulfur	17.22	28.44	32.88	32.88	28.69	27.88	27.69	27.60	27.60	27.60

[a] F.o.b. prices set by the government for direct sales and, in most cases, for the producing company buy-back oil.
[b] Weighted by the volume of production.
[c] Beginning in 1981 the price of Kirkuk (Mediterranean) is used in calculating the OPEC average official sales price.

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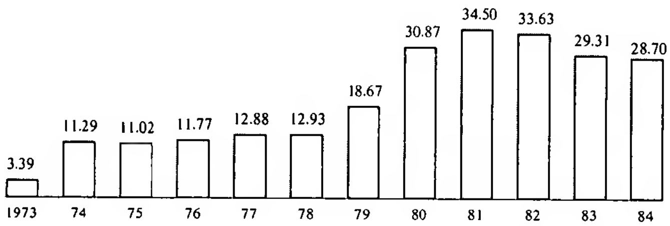
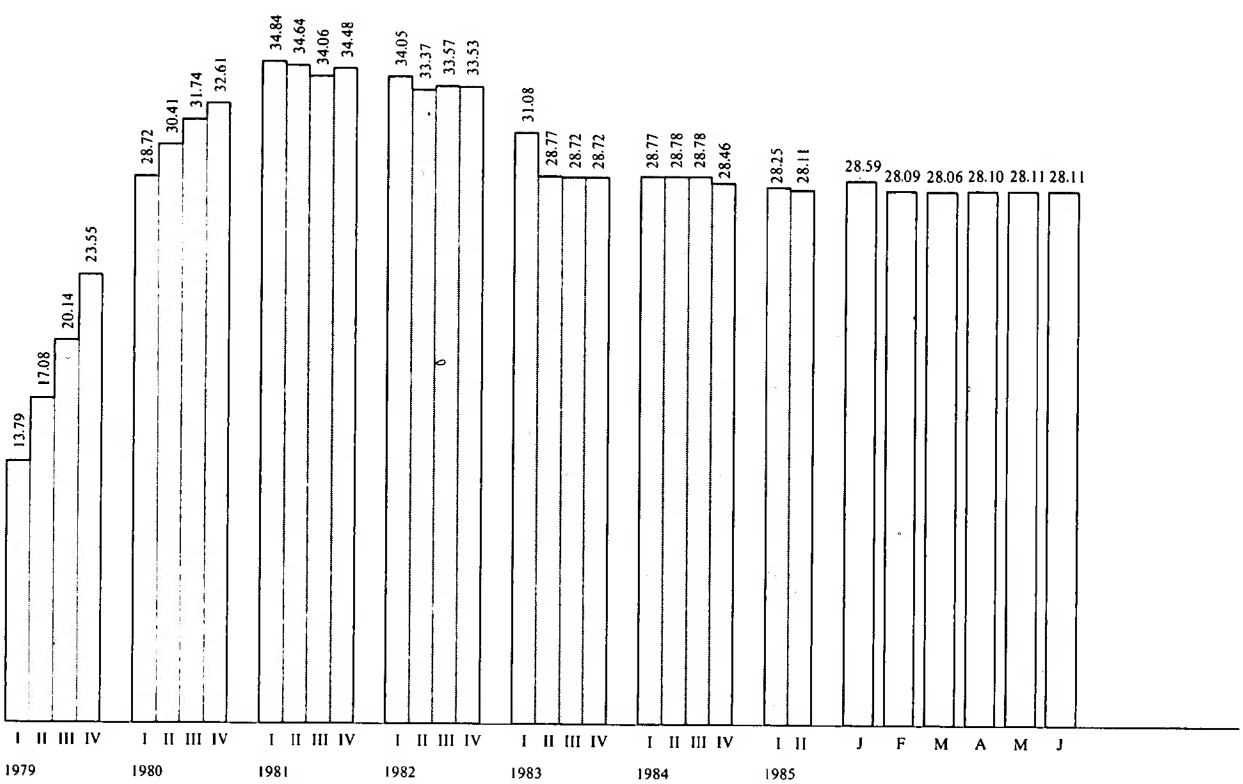
OPEC: Average Crude Oil Sales Price

US $ per barrel



Annual average



The 1973 price is derived from posted prices, not official sales prices.

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